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\$23M Savings in Program Integrity for Iowa Medicaid

DES MOINES, Iowa – A new Iowa Medicaid program integrity initiative saved taxpayers more than \$23 million in cost avoidance or recoveries in its first year of operation, according to Medicaid Director Jennifer Vermeer.

“We’ve shown that aggressive oversight can result in substantial savings or paybacks of public dollars without jeopardizing essential healthcare for some 400,000 Iowans who rely on Medicaid,” Vermeer said.

She said the savings are the result of numerous strategies such as making sure that paid services are medically necessary, preventing “upcoding” of claims by providers, and making sure Medicaid is reimbursed if the health service is eventually covered by another insurer.

The savings come from a program integrity contract that was awarded to OptumInsight (formerly Ingenix) of Eden Prairie, Minn. The first-year savings exceeds the total three-year contract cost of \$14 million and also exceeds the \$20 million first-year target set by Iowa Medicaid. The previous year savings were about \$8.6 million.

About two-thirds of the savings are recoveries due to analysis of paid claims, including some \$6.5 million from an innovative program that reviews situations in which a provider, usually a hospital, is paid by both Medicaid and other insurance payers for the same patient visit or procedure.

Hospitals process thousands of transactions daily and many have limited staff resources to help them detect credit balance overpayments that need to revert to Medicaid.

OptumInsight provides Iowa Medicaid with onsite assistance at several major Iowa hospitals, working side-by-side with hospital staff to identify overages and duplicate payments for which Medicaid should be reimbursed. Duplicate payments can occur due to the timing of reimbursements by insurance companies, a provider’s financial reconciliation schedule, or administrative error.

“This is a new area of oversight for us and it has proven to be very helpful, especially in these days of limited public funds,” said Vermeer.

She said OptumInsight also has a process to help identify “upcoding” in which a provider, often unwittingly, claims reimbursement for a more expensive service than was actually provided. For example, she said, it was learned that some claims to treat “respiratory distress syndrome” in newborns were actually services to assist the child with less serious breathing problems.

Vermeer said the company also helps to make sure that claims paid by Medicaid are for medically necessary procedures. For example, a review determined that some chiropractic services for children under age 5 were not necessary, resulting in successful paybacks.

A separate review determined that in some cases, hospitals were discharging patients too early, causing readmission within days. Instead of reimbursing hospitals for two separate stays, Medicaid treated the second hospitalization as an extension of the first, generating about \$500,000 in paybacks.

In another example, OptumInsight analysts discovered that Iowa Medicaid’s reimbursement rates for durable medical equipment such as wheelchairs and adjustable beds were consistently higher than federal Medicare rates.

This caused some vendors to bill Medicaid even though Medicare is obligated to pay for beneficiaries 65 and older. Iowa Medicaid subsequently adopted Medicare's price ceiling for such equipment, thus saving hundreds of thousands of dollars.

Iowa Medicaid has been ranked one of the nation's most accurate systems by the Centers for Medicare and Medicaid Services. In the most recent payment error rate audit, Iowa's error rate was approximately half the national average.

"OptumInsight and Iowa Medicaid share the same philosophy when it comes to payment accuracy, and that's to ensure that every care provider is properly paid for the critical work they do and that every taxpayer dollar is properly spent," said Shelby Solomon, President, OptumInsight Government Solutions. "We are pleased that our program integrity initiative is helping Iowa achieve financial benefits rapidly, while at the same time strengthening the state's relationship with care providers."

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Editors: Director Vermeer will be available for interviews. Call me and I'll have her call you back.

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